MONTANA LEGISLATIVE HISTORY

Chapter 107 19 77

Bill H 98 S _____ Original bill & history X C

H. Committee on TAXATION

Hearing Date(s) 1/12 ___C

EXEC ACTION 1/14 ___C

_____ ___C

_____ ___C

Date Out _____ ___C

S. Committee on TAXATION

Hearing Date(s) 3/10 X C

NO EXEC ACTION IN MINUTES _____ ___C

_____ ___C

_____ ___C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

HOUSE
TAXATION COMMITTEE
45TH LEGISLATURE

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MAY 23 '77

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2700 Bonita Drive, Great Falls 59404

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2344 W. Kent, Missoula 59801

REP. J. MELVIN WILLIAMS
P.O. Box 245, Laurel 59044

Jo Lahti, Secretary
Teresa Cohea, Researcher

5.

TAXATION COMMITTEE

45 Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 89	Require payment of personal property taxes on mobile homes & trailers in 2 payments within 120 days of notice of taxes due, except for assessments after 7/1.	1/7	Day by Request	1/18	AS SO AMENDED, DO PASS	1/24
HB 93	Repeal express companies' license tax.	1/7	Underdal	1/13	DO PASS	1/13
HB 94	Repeal telegraph companies' license tax.	1/7	Underdal	1/13	DO PASS	1/13
HB 95	Relating to micaceous mineral mines license tax.	1/7	Fagg Williams	1/13	DO PASS	1/13
HB 97	Change rate of cement dealers license tax; amending & clarifying sections.	1/7	Hirsch	1/12	AS AMENDED DO PASS	1/12
HB 98	Provide a 25% penalty for underreporting inventories; amending 84-708.9.	1/7	Fabrega	1/12	AND AS SO AMENDED DO PASS	1/14

HB BILL NO. 98

INTRODUCED BY Zabarenko, Bertelsen, Ellis, Scott, Moiquilla, Menahan, Lynch

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A 25% PENALTY FOR UNDERREPORTING THE VALUE OF BUSINESS INVENTORIES; AMENDING SECTION 84-708.9, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-708.9, R.C.M. 1947, is amended to read as follows:

"84-708.9. Department audit of taxable value -- costs of audit paid by county -- penalty for underreporting. (1) When in the judgment of the director of revenue it is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells, bank shares, business inventories, and all other types of property subject to ad valorem taxation. The costs incurred by the department of revenue, including per diem and mileage expense as well as salaries and benefits, shall be reimbursed from the amount collected as a result of the audit. In the event the property subject to audit is assessed within two ~~(2)~~ or more counties the department shall allocate the cost among the collections due each of the counties. Reimbursement shall be made solely for audit expense and not for other services provided to the counties by the department and may not exceed the amounts collected.

(2) The taxable value of any business inventory found as the result of an audit to have been underreported by the owner shall be increased by 25% as a penalty for underreporting."

-End-

LC 0359/01

HB 98

TAXATION COMMITTEE
45TH LEGISLATURE

Chairman Rep. Herb Huennekens called the Taxation Committee to order at 8:00 a.m. January 12, 1977, in Room 434, Capitol Building, Helena, MT. All members were present.

HOUSE BILL 97

Rep. Les Hirsch, sponsor of House Bill 97 at the request of the Department of Revenue, explained this bill changes units of measurement for cement dealer's license tax from barrels to tons without changing the tax rate or amount of tax.

Jim Madison, administrator of the miscellaneous tax division of the DOR, advised "barrels" has not been used as a unit of measurement of cement for many years, and the tax law would be easier to administer if the unit of measurement were changed to tons.

HOUSE BILL 102

Rep. Warren O'Keefe introduced House Bill 102 on behalf of the department of revenue. This bill will prohibit creation of a new tax jurisdiction district after January 1 of each year to allow for easier computation of the tax levies.

Dennis Burr, DOR, stated this bill was introduced at the request of the county assessors to allow them more time to assess such properties and figure mill levies.

Dan Mizner, Executive Director of the League of Cities and Towns, opposes this bill. He asked for a determination of what a tax jurisdiction comprises. He feels that because of the short construction period in Montana projects could not be constructed when they should be if they had to wait until January 1 to request the tax be levied for their payment. See his witness statement attached.

Burr advised the department doesn't want to try to collect the tax until the following year after construction and notification. Mr. Mizner sees no reason why cities and counties cannot collect taxes on such a project whenever they get the mill levies figured.

Mr. Mizner and Mr. Burr will get together and reword House Bill 102.

HOUSE BILL 101

Rep. Dan Harrington, sponsor of House Bill 101 at the request of the department of revenue, explained HB 101 would put the state income tax allowance for political contributions in line with the federal income tax contribution allowance. The federal allowance was changed and the state wants to be in line with the federal return.

A subcommittee was appointed: Rep. E.N.Dassinger, chairman; Reps. Les Hirsch and Elmer Severson.

HOUSE BILL 98

Rep. Fabrega, sponsor of House Bill 98, stated this bill provides a penalty on any underreported portion of inventories of 25% or the amount due on the underreported portion. It is felt the penalty in relationship to the cost of ascertaining accuracy justifies the 25% penalty. Also HB 98 is to provide an effective date of January 1, 1978, as is proposed in a suggested amendment.

Edward Nelson, Montana Taxpayers Association, neither proposes nor opposes this bill, but approves the proposed amendment wherein the penalty applies only to the underreported portion of any tax due. Suggests tying this new language to appeal and review process currently in progress.

Tom Winsor, Montana Chamber of Commerce, is neither for nor against HB 98, but recognizes problems in complying with old laws was their misapplication. The average retailer doesn't know what his tax base is. He believes the 25% penalty is too high when other penalties are much less.

Don Pratt, Montana Funeral Directors' Association, and Montana Optometric Association is neither for nor against the bill, but is concerned about the retroactivity that might be done regarding audits. Wants to know time elements and periods to which penalty applies.

Dennis Burr advised the question of auditing is not determined.

The question of what percentage is to be considered underreporting arose. A county assessor can check with the state tax return, and if an audit seems necessary, one can be made. Effective date could be after 1976.

Committee adjourned to go to an executive session.

HOUSE BILL 97 - Rep. Edward Lien made a motion to recommend that House Bill 97 DO PASS. Rep. Sivertsen moved that an amendment inserting "and" after "cement" on page 1, section 1, line 12 be made. Amendment was adopted unanimously. The DO PASS motion was unanimously adopted as amended. Rep. Fagg was absent.

HOUSE BILL 101 - Rep. Dan Harrington made the motion to recommend House Bill 101 DO PASS. Motion was adopted unanimously. Rep. Fagg was absent.

HOUSE BILL 47 - Rep. E.N.Dassinger made the motion that HB 47 be amended as shown on attached committee report. Unanimously adopted. Rep. Edward Lien moved that House Bill 47 AS SO AMENDED DO PASS. Motion was unanimously approved. Rep. Fagg was absent.

HOUSE BILL 19 - This bill was further considered and Terry Cohea is to write appropriate amendments.

A subcommittee on HB 98 was appointed - Reps. Fabrega and Lien.

Committee adjourned at 11:45 a.m.

REP. HERB HUENNEKENS, Chairman

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TAXATION COMMITTEE
45TH LEGISLATURE

The Taxation Committee was called to order January 14, 1977, by chairman Rep. Herb Huennekens, at 8:00 a.m., in room 434 of the Capitol Building, Helena. All members were present.

HOUSE BILL 115

Rep. Joe Brand, sponsor of HB 115, advised that this bill would not allow any taxes to be collected on reappraised land until all land reappraisals had been made and entered on assessment rolls. The bill provides for re-evaluation of land every five years. There were no opponents.

Wm. Groff, DOR, said there might be a problem with this bill in connection with HB 50. Intent of this bill is to make all reappraised valuations become effective at the same time. Reappraised values have already been rolled back to the 1974 values, which in some cases raised taxes. Dennis Burr, DOR, recommends a 4-year cycle instead of 5 - believes this can be accomplished by the time the next Legislature convenes. The DOR throws out the top and bottom figures and use a middle figure when using reported sales prices as a factor in valuations. Full and true value is what a willing buyer will pay a willing seller. They would use the same manual with the same deviations for any four-year cycle. New construction or major alterations are picked up in the year they are built at current values without other reappraisal. No personal check is made on business equipment such as refrigerators or stoves. The department cannot look at federal income tax returns, but the same information is on the state income tax returns which are available for examination.

HOUSE BILL 50

Rep. W. Jay Fabrega, sponsor of House Bill 50, explained this bill finds some property classifications would result in significant increases in taxable valuations and asks that the use of the reappraised valuations be suspended until the Legislature has met in a 1979 session. Mr. Fabrega explained there were several amendments he recommended to the committee, Exhibit A. This is a companion bill to HB 70.

S. Keith Anderson explained Exhibit B which gives the standing of the Montana Taxpayers Association on HB 50, the concept of which they generally approve. However, if Montana's valuation goes up 50%, the school funds will double, and the state Legislature won't have to fund schools since the taxpayers will be doing so - a burden of only property owners, which they don't approve. They recommend passage of HB 50 which would allow more time for reappraisal and delay imposition of the new values until the 1979 Legislature could see the whole reappraisal picture in its entirety.

W. A. Groff, Director of the Department of Revenue, supports the bill.

Tom Winsor, Montana Chamber of Commerce, stated that 89% of their membership is concerned with property taxation, the reappraisal process specifically. Think the reappraisal should be completed sooner in order for the next session to examine this matter in a more complete perspective.

Dennis Burr, DOR, advised there would be no problem in providing information on reappraisal, and they could advise in a month what is happening to values

The appeal process goes from the taxpayer to the county tax appeal board to the Department of Revenue to the State Tax Appeals Board, then to district court, and more time is needed in which to plan to hear the appeals.

Bob Randall, STAB, stated they try to make the hearings at the convenience of the taxpayer and they go to the counties to hold hearings. Large hearings are held in Helena. The county assessor or appraiser is the chief witness and so by going to county seats, and planning a schedule to do this, some cost to STAB is eliminated. A hearing could not be held until after 15 days' notice to the taxpayer and to DOR, and they feel this is too much time elapse. Propose a calendar day as being definition of day.

The DOR wants 20 days' notice so they will have time to see if they want to appeal to the district court.

The committee meeting adjourned and went into an executive session.

HOUSE BILL 98 - Rep. Fabrega moved that the proposed amendments, copy of which is attached, be accepted. Motion carried unanimously with Rep. Lien absent. Rep. Dassinger moved that the word "knowingly" be eliminated - vote was 12 to 3 in favor of the motion.

Rep. Fabrega moved to recommend House Bill 98 AS SO AMENDED DO PASS. Unanimous decision in favor of motion.

HOUSE BILL 107 - Rep. Jack Uhde recommends that HouseBill 107 be studied by an interim committee. This will be further considered later.

House Bill 108 was considered, but no action was taken.

A subcommittee was appointed for House Bill 50. Rep. Melvin Williams, chairman; Reps. Bertelsen, and Gilligan are to be the members.

The meeting adjourned at 11:00 a.m.

Herb Huennekens

REP. HERB HUENNEKENS, Chairman

jl

45th LEGISLATIVE SESSION

COMMITTEE ON TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CONCURRED IN DATE
93	1/19	3/4	3/15						3/15
94	1/19	3/4	3/4				3/4		
95	1/19	3/17	3/17				3/17		
97	1/19	3/14	3/14				3/14		
98	1/21	3/10	3/10				3/10		
99	1/19	3/14	3/14				3/14		
100	1/19	3/24	3/24				3/24		
101	1/19	3/16	3/16				3/16		
104	1/19	3/16	3/16				3/16		
108	1/27	3/19	3/19				3/19		
111	1/25	3/15	3/15				3/15		
113	2/15	3/9	3/9					3/9	
141	4/4	4/7	4/7					4/7	
151	2/25	3/31	3/31					3/31	
155	2/15	3/15	3/17						3/17
156	3/2	3/31	4/6					4/6	

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 10, 1977

The thirty-eighth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Mathers at 8:05 a.m.

ROLL CALL: Roll call found all the members present but Sen. Brown, who was excused.

The following witnesses were present:

George T. Bennett	ASARCO
Edward Nelson	Mont. Taxpayers Assoc.
Bill Sternhagen	Anaconda
Jack Canavan	"
Dean Neary	"
John Clemma	"
Robert H. Radley	School Dist #9, E. Helena
Rod Wilson	Blgs. Chamb. of Comm.
Dean Zennicker	Mont. Assoc. of Co's.
Don Allan	Mont. Pet. Assoc.
Jim Swartz	Exxon, Billings
Bob Blomeyer	Conoco, Blgs.
Les Loble	Mont.-Dak. Util. Co.
Ray Williams	City Council, E. Helena
William Olson	Mont. Contractors Assoc.
Steve Turkiewica	Mont. Assoc. of Counties
Bob Helding	Mont. Wood Products Assoc.
Avis Ann Tobin	Mont. Hdwe. & Impl. Assoc.
Tom Winsor	Mont. C. of C.
Lloyd Crippin	Anaconda Co.
Eugene C. Tidball	"
Laureen France	Mont. Mining Assoc.
Jim Mockler	Mont. Coal Council
Dennis Shea	Anaconda Co.
Neil J. Lynch	Mont. Mining Assoc.
Ward Shanahan	Drayer Bros. Inc.
Wes Banta	Kaiser Cement

CONSIDERATION OF HOUSE BILL 98: Rep. Fabrega, Dist. 44, said the bill had been introduced at the request of the Department of Revenue and provides for a 25% penalty on the tax when reporting for that portion of inventories that have been under-reported and also provides for the penalty to be waived if the Department finds there was justification for the under-reporting. He said as far as he knew the bill had the support of the business communities. Others to appear in support of the bill were Mr. Wilson and Mr. Groff. There were no opponents to the bill and no questions from the committee so the Chairman closed the hearing on this bill.

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977 Date 3/10/77

A.M.

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

SENATE TAXATION COMMITTEE

BILL 98, 412, 551, 591 VISITORS' REGISTER DATE 3/10/77

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
George T. Bennett	ASARCO	HB412		X
Edward W. Nelson	Mont. Taxpayers Assoc.	HB412		X
Bill Strackaganz	Anaconda	HB412		X
Jack Canavan	Anaconda	HB 412		X
Regan Neary	Anaconda	HB412		X
John Clem	—	HB412		X
Robert H Radley	School Dist #9, E. Helena	HB.412	X	
Rod Wilson	Billings Chamber of Commerce	H.B. 412 H.B. 98	X	X
Dean Zinnecker	Mt. Assn of Co	HB 412	X	
Don Allen	Mont. Petroleum Assn.	HB 412		X
Jim Swartz	Exxon, Billings	HB412		X
Bob Blomeyer	Conoco, Billings	HB 412		X
Les Loble	Montana Dakota Utilities Co	HB 412 HB 591		X
Ray Williams	City Council East Helena	HB 412	X	
William Olson	Mont. Contractors Assn	HB 412	—	
Steve Turkiewicz	Mt. Association of Counties	HB 412	X	
Bob Keeding	Mont. Wood Products Assn.	412		X
Rosie Ann Tuber	Mont Alloys & Inv. Assn	412		X
Tom Wilson	Mont Coal Council	412		X
" "	" "	551	X	
Boyd Clapper	The Anaconda Co	412		✓
Eugene C Phillips	" "			✓
Laureen France	MT Mining Assoc.	HB412		✓
Jim MacKlin	MT. Coal Council	"		✓

STANDING COMMITTEE REPORT

March 10 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 98

Respectfully report as follows: That HOUSE Bill No. 98

BE CONCURRED IN
~~DO PASS~~

WILLIAM MATHERS Chairman.

STATE PUB. CO.
Helena, Mont.

HOUSE BILL NO. 98

INTRODUCED BY FABREGA, BERTELSEN, ELLIS, SOUTH, STAIGMILLER, SCULLY, MENAHAN, LYNCH

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A 25% PENALTY FOR UNDERREPORTING THE VALUE OF BUSINESS INVENTORIES; AMENDING SECTION 84-708.9, R.C.M. 1947; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-708.9, R.C.M. 1947, is amended to read as follows:

"84-708.9. Department audit of taxable value -- costs of audit paid by county -- penalty for underreporting. (1) When in the judgment of the director of revenue it is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells, bank shares, business inventories, and all other types of property subject to ad valorem taxation. The costs incurred by the department of revenue, including per diem and mileage expense as well as salaries and benefits, shall be reimbursed from the amount collected as a result of the audit. In the event the property subject to audit is assessed within two ~~(2)~~ or more counties the department shall allocate the cost among the collections due each of the counties. Reimbursement shall be made solely for audit expense and not for other services provided to the counties by the department and may not exceed the amounts collected.

(2) The taxable value of any ~~business inventory found as the result of an audit to have been underreported by the owner shall be increased by 25% as a penalty for underreporting~~ UNDERREPORTED PORTION OF ANY BUSINESS INVENTORY, FOUND AS A RESULT OF AN AUDIT TO HAVE BEEN UNDERREPORTED BY THE OWNER, SHALL BE INCREASED BY 25% AS A PENALTY FOR UNDERREPORTING.

(3) THE 25% PENALTY MAY BE WAIVED BY THE DEPARTMENT OF REVENUE IF REASONABLE CAUSE FOR FAILURE TO REPORT THE TOTAL VALUE OF A BUSINESS INVENTORY IS PROVIDED TO THE DEPARTMENT."

SECTION 2. EFFECTIVE DATE. THIS ACT IS EFFECTIVE JANUARY 1, 1978.

-End-

REFERENCE BILL